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Question1: The principal unintended consequences of current farm programs are not simply high land prices, making it difficult for young farmers to begin, or for U.S. products to compete for world markets, as implied in the USDA statement above. Rising land prices are inherent in the farm subsidy system and rising productivity, which raise farm income and inevitably raise land and leasing costs.

High budget costs, uneven distribution of benefits to farmers, and resulting limited funding for other programs are the principal unintended consequences. High and unlimited commodity program costs concurrent with a chronic budget deficit limit financial support for public programs such as conservation, food assistance, and rural development, which are higher priorities for most Americans than commodity price and income subsidies. We take note of a recent survey by the Kellogg Foundation, in which respondents, by a wide margin, favored reducing the commodity program payment limitation, and opposed cuts in food aid and conservation programs.

Question2: Most U.S. agricultural commodities have been priced competitively in world trade since the "high price supports" of the 1940s and 1950s were replaced in the 1960's by "market oriented" price supports supplemented by income payments. Competitive pricing has done more to increase exports than all our market development programs and trade agreements. Of course, we must ensure that other nations trade fairly, and that they limit or end their domestic and export subsidies as we reduce payments to commodity producers and end our export subsidies for cotton and other commodities.

Question3: Reducing commodity subsidies, limiting payments per farm to well below the current level, and increasing support for conservation, food programs and rural development with some of the money saved will provide for a distribution of program benefits more acceptable to rural and farm people and to the public. Such a reallocation will also yield public benefits, in contrast to the unconditional subsidies now paid mostly to a few giant farms, and which benefit only the recipients.

Question4: Soil and water conservation authorities now in operation, if fully funded, are adequate for dealing with the worst of our on-farm conservation problems. But they are not adequate to help our farmers move present-day commercial agriculture to a sustainable state, both economically and environmentally. Spending less on commodity subsidies will make it possible to spend more on conservation without adding to the budget deficit. Some of the savings on commodity programs should be dedicated directly to conservation programs: first, to fully fund the Conservation Security Program and related programs, and second, to create a broad set of incentives and programs to help farmers develop the tools needed to move their operations to a sustainable state.

Question5: Public money saved by reducing commodity subsidies can and should provide increased assistance to people in depressed rural communities. Except for programs begun in the 1960s for expansion of

loan and grant money for rural housing, water systems and other infrastructure, we have never found a consistent set of highly productive rural development programs. Increased funding for these programs should now focus on improving rural schools, providing more effective health care, and financial support to individuals and families to enable them to hold more productive jobs. A healthy, educated labor force in rural areas will attract businesses that will offer good jobs at good wages.

Question6: Product development, marketing assistance and research, and foreign market development are long-term activities with uncertain but often positive benefits to the farm economy and the public. Current authorities are generally adequate, if funds appropriate to the program objectives are provided.

FINALLY, WE MAKE THREE POINTS NOT EMCOMPASSED IN THE SIX QUESTIONS POSED BY USDA.

1. STANDBY AUTHORITY TO REQUIRE MODERATE CROP ACREAGE REDUCTIONS AS A CONDITION OF ELIGIBILITY FOR COMMODITY PAYMENTS SHOULD BE REINSTATED IN THE NEW FARM BILL. WE KNOW THAT FARMERS AND SOME ECONOMISTS OBJECT TO SUCH A PROVISION. WE BELIEVE, HOWEVER, THAT IT IS ONLY FAIR THAT FARMERS, AND NOT JUST THE PUBLIC VIA THE FEDERAL BUDGET, SHOULD BEAR SOME OF THE BURDEN OF OCCASIONAL CROP SURPLUSES. SECRETARY GLICKMAN PROPOSED THIS AUTHORITY IN 1996, BUT IT WAS NOT APPROVED BY CONGRESS. THE NOTION ADVANCED BY SOME EOCNOMISTS THAT SOMETHING IS LOST WHEN A FEW MILLION ACRES ARE DEVOTED TO CONSERVATION RATHER THAN TO CROPS WHEN WE HAVE PRICE DEPRESSING SURPLUSES, IS SIMPLY WRONG. IF WE FOLLOWED THAT IDEA, WE SHOULD END THE CRP SO WE COULD PRODUCE MORE WHEAT, CORN AND SOYBEANS, EVEN WHEN WE HAVE PLENTIFUL SUPPLIES AND RELATIVELY LOW MARKET PRICES FOR THOSE COMMODITIES.

2. CONGRESS SHOULD RE-ESTABILSH A GRAIN AND OILSEED RESERVE PROGRAM, BEYOND THE SMALL WHEAT RESERVE NOW HELD. A RESERVE WOULD HELP ABSORB SURPLUS PRODUCTION WITHOUT COSTLY DELINES IN FARM PRICES. IT WOULD ALSO HELP TO LIMIT FOOD PRICE INCREASES WHEN U.S. AND WORLD CROPS ARE SHORT. RESERVE PROGRAMS SERVED BOTH THOSE FUNCTIONS IN PAST YEARS, AND COULD DO SO AGAIN.

3. NO SECRETARY AND NO PRESIDENT HAVE TAKEN A SERIOUS AND EFFECTIVE LEADERSHIP ROLE IN FARM POLICY DEVELOPMENT FOR MANY YEARS. THE CLINTON ADMINISTRATION AND SECRETARY ESPY WERE NEVER IN THE GAME. SECRETARY GLICKMAN TRIED TO LEAD, BUT THE 1996 FARM BILL WAS FAR DOWN THE ROAD WHEN HE TOOK OFFICE. SECRETARY VENEMAN AND HER ASSOCIATE ISSUED A GOOD LITTLE BOOK ENTITLED "FOOD AND AGRICULTURE: TAKING STOCK FOR THE NEW CENTURY", BUT NEITHER THE SECRETARY NOR THE PRESIDENT SUPPORTED THEIR OWN IDEAS EFFECTIVELY. THEY PROVIDED LITTLE LEADERSHIP ON THE 2002 FARM BILL.

WHILE THE CURRENT LISTENING TOUR MAY HELP THE ADMINISTRATION ASSUME A LEADERSHIP ROLE, IT DOES NOT ENSURE IT. AND IT IS NOT ENOUGH FOR THE SECRETARY AND HIS ASSOCIATES TO FIGHT FOR THEIR PROPOSALS. THE PRESIDENT MUST ALSO ACTIVELY SUPPORT THE GOALS AND PROGRAMS ADVANCED BY SECRETARY, IF THEY ARE TO BE REALIZED. WE HOPE THOSE GOALS WILL INCLUDE THE IDEAS WE HAVE ADVANCED HERE.

WITHOUT STRONG LEADERSHIP BY THE PRESIDENT AND THE SECRETARY, CONGRESS WILL PASS ANOTHER COSTLY FARM BILL, AND WILL ALLOCATE THE FUNDS PRINCIPALLY TO A HAND-FULL OF COMMODITY PRODUCERS, TO THE DETRIMENT OF CONSERVATION, FOOD, AND RURAL DEVELOPMENT PROGRAMS, AND OF THE PUBLIC

INTEREST.

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